

FISCAL NOTE

Bill #: HB0379 **Title:** Fund Zortman-Landusky mine reclamation
Primary Sponsor: Windy Boy, J **Status:** As Amended in House Committee

Sponsor signature	Date	David Ewer, Budget Director	Date
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Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
State Special Revenue		
Orphan Share Account	(\$1,270,428)	(\$1,352,821)
Other		
Water Treatment Permanent Trust Fund	\$1,270,428	\$1,352,821
Net Impact on General Fund Balance:	\$0	\$0

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue (DOR)

1. This bill would create a new trust fund that would be used to pay the long-term costs of water treatment at the Zortman and Landusky mine sites. The bill would become effective on July 1, 2005.
2. The new trust fund is to be financed with funds transferred from the orphan share account in the state special revenue fund, and other sources that the legislature or Congress might provide. The Board of Investments would invest the fund, and all interest earnings on the fund would be deposited in the fund until the year 2018. Earnings on fund principal in the year 2018 and each succeeding year may be appropriated for water treatment at Zortman and Landusky mine sites.
3. Under proposed law, beginning in FY 2006, \$1.2 million per year will be transferred from the orphan share account to the water treatment fund. When the Board of Investments determines projected interest earnings on the current balance will provide a fund balance of \$19.3 million on January 1, 2018, these transfers will cease.
4. \$1,200,000 will be transferred from the orphan share into the new trust fund July 1, 2005.
5. \$1,200,000 will be transferred from the orphan share into the new trust fund July 1, 2006.

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6. Projected HJR 2 long-term interest rate in FY 2006 is 5.869 percent.
7. Projected HJR 2 long-term interest rate in FY 2007 is 6.186 percent
8. FY 2006 interest earnings on principle in the new trust fund are \$70,428 $\{ \$1,200,000 * 0.05869 \}$.
9. FY 2007 interest earnings on principle in the new trust fund are \$152,821 $\{ \$2,470,428 * 0.06186 \}$.
10. Distribution to the new trust fund in FY 2006 is \$1,270,428 $\{ \$1,200,000 + \$70,428 \}$.
11. Distribution to the new trust fund in FY 2007 is \$1,352,821 $\{ \$1,200,000 + \$152,821 \}$.
12. Interest earned on the orphan share account remains in the orphan share account.
13. Loss to the orphan share account in FY 2006 is \$1,270,428.
14. Loss to the orphan share account in FY 2007 is \$1,352,821.
15. The department of revenue will incur no administrative costs due to this proposal.

Department of Environmental Quality (DEQ)

16. A trust fund is needed to provide for monies to operate and maintain a water treatment plant at the Zortman and Landusky mines in perpetuity, after the expiration in 2017 of a Consent Decree provision for "short-term" funding.
17. HB 379 as amended proposes to divert \$1,200,000 per year from the orphan share account. Current annual revenues are approximately \$2.2 million per year.
18. The orphan share account was established in 1997. The account is used to pay for cleanup costs at state superfund facilities that are attributable to bankrupt or defunct parties. A study prepared at the time the account was created indicates at least 46 of the 211 sites on the CECRA – state superfund list have an orphan share component. Estimated cost of orphan share reimbursement for these sites alone ranges from \$43 million to \$170 million. Eighty-five additional sites are suspected of having an orphan share component. Diversion of revenue to the new trust fund will impact funding for orphan share obligations.

Department of Commerce (DOC)

19. There would be no fiscal impact to the Board of Investments or the Department of Commerce.

FISCAL IMPACT:

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
Department of Revenue (DOR)		
<u>Revenues:</u>		
State Special Revenue (02)		
Orphan Share Account	(\$1,270,428)	(\$1,352,821)
Other (09)		
Water Treatment Permanent Trust Fund	\$1,270,428	\$1,352,821
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
State Special Revenue (02)		
Orphan Share Account	(\$1,270,428)	(\$1,352,821)
Other (09)		
Water Treatment Permanent Trust Fund	\$1,270,428	\$1,352,821

LONG-RANGE IMPACTS:

Annual transfers of \$1,200,000 from the orphan share to the new trust fund will continue until the Board of Investments determines the balance in the fund is sufficient to meet the January 1, 2018 fund requirement.